PX 473

From: Arthur Britto <[redacted]@gmail.com>
To: Patrick Griffin
CC: Jed McCaleb; Chris Larsen
Sent: 3/19/2013 7:56:43 PM
Subject: Re: Value Defense

We don't want to be setting prices or controlling the market.

One or more 3rd parties, liquidity providers, desiring XRP would simply place an order on the distributed exchange to buy X XRP at a price of Y or above for a duration D. Importantly, anyone will be able to sell into this liquidity, so the amount of liquidity should be in excess of the promotion we want to do.

The liquidity providers would in aggregate need to assure the give away partner that the liquidity exists to make the give away worth while. The liquidity providers might enter into agreement with the give away partner to pay the give away partner a penalty if they withdraw their offers.

On Tue, Mar 19, 2013 at 7:10 PM, Patrick Griffin <[redacted]@ripple.com> wrote:
Just thinking through this:

- a floor would be set through an open order by a private equity firm to buy available XRP for fiat iou's at a set price (a 'backstop') to keep the price from collapsing
  - would they buy XRP with fiat iou's up to an agreed or predefined limit? what range of volume are we looking for?
- the X demand is accretive from the entire network, not from each new ripple user individually
  - is this just an unquantifiable notion? as more people enter the network, we believe the value of XRP will rise in turn as the utility of XRP is realized?

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Patrick Griffin
Head of Business Development
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On Mar 18, 2013, at 9:52 AM, Jed McCaleb <[redacted]@ripple.com> wrote:

There are two things. A) we are looking for some private equity firm to provide a floor to the value. B) every person that starts using ripple adds X demand for XRP. If the amount of the giveaway is Y, then it is very important that the giveaway has a conversion ratio better than Y/X. I think X is around $200. So we need a conversion ratio of 5% in order for the price to not tank. We should try to figure out what paypal's was for their giveaway to see how reasonable this is.

On Mar 18, 2013 2:09 AM, "Patrick Griffin" <[redacted]@ripple.com> wrote:
Jed/Arthur:

We're putting a deal together with [redacted] that would involve us giving away XRP to their users. I want to be sure I understand how we plan to defend the fair market value (FMV) of XRP against a surge in supply to make this giveaway scheme work. For illustrative purposes, let's make an assumption that [redacted] wants to

give away $10 USD equivalents in XRP to all of their end users who immediately spend the money on [redacted] product. At FMV, that's 10k XRP per user, with 10M 'participating' users, that's 10B XRP that we would give away. Assume that upon receiving XRP, [redacted] will want to immediately convert it to USD ious to redeem at their preferred gateway for USD cash. I'd imagine that the current market making activity for USD/XRP trade pairs (and all other paths that can spit out a USD from an XRP) is too small to clear that kind of flood of supply without a collapse in FMV for XRP. There just wouldn't be enough USD in the system, and consequently the 10k XRP that we hoped would exchange for $10, might only exchange for a fraction and we'd be back to where we started.

So, three questions:

- How are we protecting from a collapse of the XRP FMV as we disperse the minted XRP?
- How are we thinking about defending the incremental valuation increases XRP accrues as we grow the network?
- How are we wholesaling XRP to ensure currency convertibility across the distributed exchange in the early days?

Just want to be sure I understand how quickly we can scale the giveaway schemes. I'll be online tomorrow so perhaps this deserves a Skype call. Hope you had a great wknd!

Patrick

--
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